

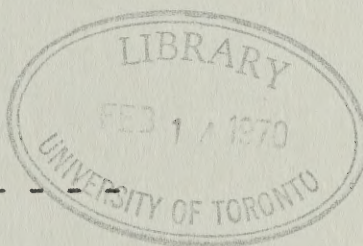
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Select committee on consumer credit
Hearings

Government
Publications

SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of hearings held at the
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July 29, '64

1 THE CHAIRMAN: We have with us this
2 morning Mr. R. M. Cox, Mr. C. T. Beaman, who are
3 associated with the Associated Credit Bureaus of
4 Ontario. I understand that Mr. Beaman is going to
5 read their brief, a copy of which you will all find
6 in front of you.

7 I'd like to introduce Mr. Beaman to
8 you. Mr. Beaman?

9 Mr. Beaman is the gentleman on the
10 right and Mr. Cox is the gentleman on my right.

11 MR. BEAMAN: Is it all right to sit,
12 Mr. Chairman?

13 THE CHAIRMAN: Yes, sir.

14 MR. BEAMAN: Thank you.

15 Gentlemen this is the brief submitted
16 by the Associated Credit Bureaus of Ontario.

17 The Associated Credit Bureaus of
18 Ontario is a trade association which represents the
19 interests of well-managed, ethical credit bureaus in
20 this Province. Our members' bureaus employ 709
21 people and have over 16,000 subscribers and in 1963
22 made 1,741,542 individual credit reports concerning
23 the credit history of the users of consumer credit
24 users in this Province.

25 To show the geographical distribution
26 of the directors and officers we have attached a list
27 of the officers and directors for 1964 as Appendix A
28 and a list of the 42 Ontario bureau members as Appendix B.
29 New credit bureaus are encouraged by Associated Credit
30 Bureaus of Ontario in areas with a need for local credit



1 reporting service. While the Association will assist
2 a new bureau in its early operation, an application for
3 membership will not be considered until the prospective
4 new member has been in operation for at least six
5 months and is serving the majority of the credit
6 granters in the area. Upon a submission of
7 satisfactory references, evidence of financial stability
8 and proof of ability to serve the needs of the
9 community, he is admitted as a provisional member.
10 During the probationary period a typical survey of
11 the bureau's facilities is made and it is required
12 that the manager undergo specialized training as a
13 member bureau of comparable size. Full membership
14 is granted when the Board of Directors of the
15 Associated Credit Bureaus of Ontario is satisfied
16 that the bureau will competently serve local and
17 national clients.

18 The first credit bureaus were formed
19 in Canada in the mid 20's. They were organized by
20 groups of merchants who recognized the need for
21 a central pool of credit information and provided it
22 by cooperative means in setting up offices to which
23 all members reported all credit accounts currently on
24 the books and all applications received. In some
25 cases enterprising businessmen saw the need and
26 organized privately owned credit bureaus to perform
27 the credit reporting functions. As the use of credit
28 grew credit bureau membership also grew and soon
29 extended to inter-city reporting. Provincial associations
30 were formed in the late 20's and early 30's and



1 eventually in 1939, more than 25 years ago, the
2 Associated Credit Bureaus of Canada was incorporated
3 under Dominion Charter as a non-profit organization.
4 This Association now has 132 member credit bureaus.

5 It is mandatory for a credit bureau
6 to belong to an appropriate provincial association to
7 be eligible for membership in the national body.
8 Because laws, practices and credit procedures differ
9 from Province to Province the code of ethics of
10 Associated Credit Bureaus of Canada, with respect to
11 credit reporting, is attached to this brief as
12 Appendix C.

13 Exhaustive research projects are
14 conducted by both provincial and national associations
15 for the benefit of their members. Through their
16 efforts standardization of forms and records results
17 in a highly skilled, responsible credit reporting
18 service. The comprehensive experience of both the
19 associations is available to its new members in
20 developing better forms and techniques for handling
21 the mechanical computations for credit reporting and
22 assistance in developing ever improved reporting and
23 collection procedures is sought and obtained by members
24 across the country.

25 Most Canadian credit bureaus are
26 also affiliated with the 2,000 member Associated
27 Credit Bureaus of America and credit reporting is
28 a continental fact. In recent years this concept has
29 been expanded so it is now possible to obtain a credit
30 report from almost every country in the world.



1 Good credit bureaus serve the public
2 by providing a confidential record of credit dealings
3 which can and does permit the capable credit user to
4 use his credit as required with the minimum of time
5 and difficulty. The fact that his record will follow
6 him when he moves to a different city is especially
7 helpful in his efforts to become established in his
8 new surroundings. The greatest percentage of these
9 enquiries come from retail merchants but credit
10 bureau members also include banks, oil companies,
11 doctors, dentists, lawyers, finance companies, small
12 loan companies and credit unions at the consumer level,
13 plus a variety of firms who do business with retailers.

14 Bureaus also provide a considerable
15 number of specialized reports to government agencies,
16 mortgage and trust companies, insurance companies
17 and personnel departments and also function as
18 collection agencies under the jurisdiction of the
19 Attorney General's Department of the Province of
20 Ontario.

21 Credit bureaus serve their members
22 by reporting the credit standing of prospective
23 purchasers or borrowers. No merchant or lender wishes
24 to sell or lend to a customer who would have difficulty
25 in meeting the payments. Neither, of course, do
26 merchants or lenders wish to advance credit to persons
27 whose past records indicate irresponsible or fraudulent
28 behaviour. Proper assessment of the information that
29 is available from the credit bureau enables credit
30 granters to make sound decisions and prevents many of



1 the problems associated with the unwise use of credit.

2 Meticulous care must be taken in
3 compiling and filing credit bureau reports because
4 they record information that is both personal and
5 confidential. For this reason great care is taken
6 to insure correct identification before information
7 is given to a member. Files are subject to a programme
8 of daily revision to insure that reports are both
9 factual and up-to-date. In addition to receiving
10 reports, our members are constantly supplying us with
11 information.

12 About 85% of the information on file
13 concerning pay records, assets, new enquiries, etc.
14 is received from members and the balance is obtained
15 from such sources as court records, chattel mortgage
16 and conditional sales registrations, bankruptcy
17 reports, trust clippings, etc. To earn the approval
18 of consumers it is important that this information
19 be held in the strictest confidence. It is only
20 available to bona fide members for legitimate enquiries
21 to insure that responsible people will be favoured with
22 prompt and dignified service when they buy on credit.

23 Well over six million items are
24 recorded by the 42 Ontario credit bureaus each year.
25 Various kinds of reports are available to the members,
26 usually depending upon the purpose for which the
27 information is needed. In the majority of cases speed
28 is essential so the most common is the verbal report
29 given on the telephone. Normally this permits the
30 credit manager to complete the credit sale while the



1 customer waits. For some purposes members prefer
2 written reports which are more complete as to details
3 and variety of information. Many types of written
4 reports are available, depending upon requirements,
5 such as mortgage, petroleum, landlord, commercial,
6 personnel, etc.

7 Also available are such special
8 services as out of town reports, tracing and locating,
9 advice on credit systems, applications, collection
10 schedules and other phases of credit department
11 organization. Most bureaus send out regular bulletins
12 containing useful articles on credit procedures and
13 trends.

14 It should be noted that while credit
15 bureaus cooperate through the exchange of information,
16 they are autonomous organizations and the range of
17 services varies according to the needs of their members
18 and the size of the community each serves.

19 The Associated Credit Bureaus of
20 Ontario recently conducted a survey in 12 southern
21 Ontario communities stretching from Windsor to
22 Oshawa which included such designated areas as
23 Chatham and Brantford as well as Metropolitan Toronto.
24 This survey involved over 20,000 credit files collected
25 at random. The survey showed the 80.09% of all credit
26 users pay their accounts as agreed. 10.38% pay with
27 varying degrees of slowness but without the need of
28 third party intervention. 9.53% can be rated un-
29 satisfactory and ineligible for further credit extension
30 in their present circumstances. Verification of the



1 validity of this survey is shown by the affidavit
2 attached as Appendix D. The survey also disclosed
3 that members of the unsatisfactory category applied
4 for credit about three times as often as the prompt
5 payers. While only 00.84 of good pays have any
6 history of criminal activities or serious social
7 problems, it is interesting to note that in the slow
8 pay category 11.3% have had this type of trouble and
9 a massive 28.7% of the unsatisfactory group have
10 such occurrences on their records.

11 The foregoing probably explains, to
12 some extent at least, why some social welfare agencies
13 seem to have the impression that many social problems
14 are caused by overindulgence in credit. In our
15 opinion many of these cases would be social problems
16 for other unrelated reasons and the fact that they
17 are credit users is coincidental. That they do appear
18 on the books of credit granting companies is usually
19 regretted at least as much by the companies as by
20 our society. Credit bureaus record the factual
21 credit history of incompetent credit users and there
22 can be no doubt that such reports prevent many people
23 from using credit beyond their capabilities.

24 We agree with the conclusions of the
25 Royal Commission on Banking and Finance, as reported
26 on page 21 of its report, that Canadians manage their
27 finances with greater wisdom than appears to be
28 popularly believed. It is notable that our survey
29 agreed with that done by the Royal Commission in that
30 both showed that 50% of households had no installment or



1 mortgage debt at the time that the survey was taken.

2 Of course as long as we have greedy
3 people, whether they be sellers or buyers, lenders
4 or borrowers, we will continue to have some credit
5 problems. Such cases are in the minute minority of
6 the thousands of satisfactory credit transactions
7 which are consummated each year. But unfortunately
8 they are the ones that receive the most publicity.

9 Credit bureaus also play a
10 positive role in the improvement of understanding in
11 the handling of credit through their active promotion
12 of education in the credit field. Members of
13 Associated Credit Bureaus of Ontario are affiliated
14 with various groups who sponsor, and in some cases
15 operate, courses in techniques of handling credit
16 accounts, efficient organization of credit departments,
17 clear and effective collection practices, public
18 relations and many other facts of interest to employees
19 and managers in the field of credit. Organizations
20 devoted to such interests include the Canadian Credit
21 Institute, which received its Dominion Charter in
22 1928 and established a course in credit management
23 covering both the mercantile and consumer credit. It
24 is conducted by the Department of Extension, University
25 of Toronto. This course is co-sponsored by Associated
26 Credit Bureaus of Canada. Graduates earn the distinction
27 MCI, member of the Canadian Credit Institute, which
28 opens many doors to careers in credit management. Even
29 though a student passes the examinations, the MCI
30 designation is not granted until the graduate has had



1 five years of service in the credit field. Since 1928
2 over 5,300 students have earned the MCI designation
3 and by virtue of this training are better equipped
4 to intelligently handle the many facets involved in
5 the credit function. The Institute also sponsors
6 credit seminars and meetings through its local
7 affiliated chapters, the largest of which is located
8 in Toronto.

9 Credit Granting Association of Canada --
10 incorporated in 1944, this association has over 50
11 branches in Canada. In Ontario there are units in
12 Toronto, Ottawa, Hamilton, Windsor, Sault Ste. Marie,
13 Fort William, Cornwall, Sudbury, Timmins, Sarnia,
14 and others are being formed. Membership includes a
15 subscription to The Credit World, an international
16 magazine devoted entirely to consumer credit which
17 also serves to forge a common link between credit
18 granting chapters in the major cities of the United
19 States. In Canada the Association also serves as
20 a clearing house for information and opinion related
21 to proposed changes in legislation of interest to
22 credit people. The Association sponsors an annual
23 Canadian Consumer Credit Conference which serves to
24 promote cooperation and coordination between the
25 several Canadian chapters.

26 Credit Women's Breakfast Club of
27 Canada -- sponsored in each community by the local
28 credit bureau, members of Associated Credit Bureaus
29 of Ontario, currently sponsor eight chapters and others
30 are in the process of being formed. Especially designed



1 to promote the interests and abilities of talented
2 women in the credit field, the club provides a yearly
3 course in credit practices, inspiring speakers and
4 stimulating group activities. The Ontario clubs
5 are affiliated with the Credit Women's Breakfast
6 Clubs of North America with over 13,000 members in
7 400 clubs. The extent of the interest in this
8 organization may be judged by the fact that their
9 regular monthly meetings are normally held at 7:45 A.M.
10 and are very well attended.

11 International Consumer Credit
12 Association -- in addition to the efforts made by
13 the Association to upgrade the skills of people employed
14 in the credit business, the majority of our member
15 bureaus sponsor advertising campaigns designed to
16 inform the public on the wise use of credit. In some
17 Ontario communities the local credit bureau, credit
18 granting merchants and the community newspaper combine
19 forces once a year to hold a credit meeting. The
20 purpose of this presentation is to promote the wise
21 use of credit rather than the wide use of credit. It
22 is educational, not promotional.

23 While on the subject of credit
24 education we would like to add that in our opinion
25 many of the difficulties associated with the use of
26 credit by the public would be eliminated or greatly
27 reduced in the future if the curriculum of our high
28 schools included instruction on how to use credit
29 wisely. The days when the use of credit was the
30 privilege only of the well-to-do are past. We believe



1 that credit has proven its worth and that it will
2 be used more rather than less as time goes on. It
3 seems to us no more than logical to instruct our
4 young people to use credit with moderation and skill.
5 Educators who are interested will find competent
6 credit people from credit bureaus and their members
7 who are ready and willing to cooperate and we believe
8 that there is plenty of material and knowledge avail-
9 able from which to develop a practical, useful
10 course suited to various age levels. We strongly
11 advocate credit education, especially at senior high
12 school, university and adult education levels.

13 No one really knows how far back
14 into the history of civilization the story of credit
15 may extend. Evidence has been found of documents
16 similar to our present day promissory notes in
17 archeological excavations. They go back over 4,000
18 years. It is apparent that credit in one form or
19 another has been part of the economic scene ever
20 since the invention of some form of money as a medium
21 of exchange. The greatest flowering of credit in
22 modern times has been on the North American continent,
23 and since the beginning of the 20th Century, credit
24 has become a way of life for those of us who live in
25 Canada and the United States. This is a natural
26 development in North America because the use of credit
27 is predicated upon the right of free people to work
28 and live and make individual decisions in a society
29 based upon just and stable laws. For credit to function
30 properly two basic fundamentals must be present. First,



1 the right of individuals to private ownership of
2 property and second the right of individuals to
3 contract and transfer titles.

4 Since the turn of the century two
5 great positions have occurred. First, there has been
6 a change in the attitude of the public towards credit
7 and second, the credit granter has recognized that
8 credit is the right of the majority rather than the
9 privilege of the few. Dr. Peter Martineau, Director
10 of Research and marketing for the Chicago Tribune
11 and a noted authority on consumer motivation, has
12 commented on some of the far reaching social changes
13 which have so greatly altered our attitudes towards
14 spending and saving during the past 25 years. Dr.
15 Martineau observes that moral strictures about credit
16 buying have largely disappeared, especially among
17 younger people. Consumer credit is now regarded as
18 a means of acquiring new and better things and a way
19 of getting them earlier. The cost of the use of
20 credit as part of the buying process is well accepted
21 among today's consumers. The Royal Commission on
22 Banking and Finance found that installment buying
23 of household goods proved advantageous to consumers.
24 Sometimes the return is calculable in monetary terms.
25 For instance, an investment in home laundry equipment
26 saves on laundry bills. Sometimes the return is
27 evident in the form of increased enjoyment and satis-
28 faction.

29 Credit has been closely associated
30 with the economic advancement and steadily increasing



1 standard of living of our North American society.
2 Our techniques of mass production and ability to
3 distribute the products of industry have been much
4 in demand, but there can be no doubt that they never
5 would have evolved had it not been for a parallel
6 evolution in the field of credit at both business and
7 consumer levels.

8 While the automobile stands out as the
9 symbol of production based on ability to use credit,
10 it is certain that the same feature applies to many
11 other products and services. It is a matter of record
12 that consumer credit has proved itself to be strongly
13 managed in our economy. Through two wars, a great
14 depression, trends of inflation and deflation, as
15 well as other evidence of economic disturbance, the
16 credit concept has developed and grown for the benefit
17 of buyers and sellers alike.

18 Merchandizing is competitive, but
19 credit must be cooperative. This implies communi-
20 cation between credit users as buyers and sellers and
21 it is the function of credit bureaus to act as a most
22 important channel of communication to help keep credit
23 healthy and sound. Canadian consumers make their own
24 credit reputations by the manner in which they use
25 their credit and pay their bills. Credit bureaus
26 provide their interest, protect their interest by
27 recording the facts which create the pattern of their
28 credit experiences.

29 Gentlemen, it has been our pleasure
30 to present this brief to this important Committee of the



1 Ontario Legislature. We hope that it may prove
2 helpful in your enquiry and if there are any questions
3 we will be glad to try to answer them.

4 THE CHAIRMAN: Thanks, Mr. Beaman,
5 that was a very excellent brief. I'm glad to see
6 that you confirm some of the things that we have
7 already said in our interim report.

8 Do you have any questions, Mr. Sedgwick?

9 MR. SEDGWICK: Mr. Chairman and Mr.
10 Beaman, for myself only, I found your brief very
11 informative and very interesting. So much so that
12 I can't think of much to say about it. However I
13 would like to have you emphasize one or two points.

14 I take it that your bureaus have
15 nothing to do with the granting of credit. You merely
16 supply information, is that correct? You do not
17 make any decisions?

18 MR. COX: That is true, Mr. Sedgwick,
19 yes. Our function is entirely to provide information
20 as recorded in our files. The decision is made by
21 the individual member or credit granter. In some
22 cases on a certain type of file the certain merchant
23 may grant credit and another merchant may not,
24 depending on --

25 MR. SEDGWICK: On the same information?

26 MR. COX: That's right, yes.

27 MR. SEDGWICK: Then you have nothing
28 at all to do with the form of security that the credit
29 giver takes?

30 MR. COX: Not at all.



1 MR. SEDGWICK: And you have nothing
2 to do with the rates charged, whatever they may be?

3 MR. COX: That is correct, yes. We
4 don't control them at all. Although our services,
5 I may say, are a part of the cost of credit in the
6 fact that there is a cost factor involved here, in
7 compiling these records and keeping them up to date
8 and having the information available for our members
9 when they call us.

10 MR. SEDGWICK: So the giver of credit,
11 in deciding what he will charge on an installment
12 basis, must of course include the cost of your services
13 as one of his costs?

14 MR. COX: That's quite right, sir.

15 MR. SEDGWICK: This may be a facetious
16 question but I was reading your little booklet and I
17 see that on page 4 you say, "Less than a century ago
18 the average person had only 72 wants and only 16 of
19 them were necessities. But today this has increased
20 to a total of 464 wants with about 94 regarded as
21 essential to modern living". I wondered where you
22 get your statistics from? I was trying, in my
23 mind, to separate the wants from necessities, and
24 I wondered how in 72 years they multiplied so.

25 MR. COX: Probably the power of
26 advertising.

27 MR. SEDGWICK: Maybe, yes. And then
28 on page 24 and 25 of the same little booklet under
29 the heading of expense of credit, which is a matter
30 that has been brought before this Committee, you say,



1 in the first paragraph on page 24: "Any retail
2 establishment or financial institution, which extends
3 credit, has to meet the expense of offering the
4 service. The service charges on consumer credit are
5 not strictly interest or pure rent on the use of
6 money. Most of these charges result from the cost
7 of doing business". So I take it that you do not
8 view whatever is charged as specific interest. You
9 would rather it be a combination of interest on
10 the money you use and the service charge for servicing
11 the account, is that correct?

12 MR. COX: Absolutely, sir.

13 MR. SEDGWICK: And then on page 25,
14 paragraph 3, and this is a matter that has been before
15 the Committee, your booklet reads: "Sometimes
16 service charges are quoted in terms of percentages
17 of the full amount. A percentage may be figured
18 in terms of the full balance at the outset of the
19 contract or it may be figured only on the declining
20 balance. For an example of the latter, if you pay a
21 charge of $2\frac{1}{2}\%$ per month on the declining balance on
22 a loan of \$100.00, your service charge would be \$2.50
23 for the first month, but by the final month if you had
24 paid back all but the last \$10.00, your service charge
25 would be only .25¢." Then you add: "This method is
26 usually followed by consumer finance companies."

27 Do you know of any large firms that
28 extend credit who figure their charges by percentages?
29 We haven't been told of any. I wondered if you had
30 any in mind?



1 MR. COX: Well in the department
2 store field and the area of revolving charge accounts.
3 The service charge is usually computed as a monthly
4 rate of interest on the existing balance.

5 MR. SEDGWICK: Yes, on revolving
6 credit, but on a straight credit sale, for instance,
7 the sale of a refrigerator or an automobile or
8 television or a camera, do you know of any who
9 figure their charge percentagewise. Don't they
10 almost invariably figure it as a gross amount?

11 MR. COX: Right. A dollar amount.
12 Our feelings there -- actually we have no business,
13 Mr. Sedgwick, to even offer an opinion because we
14 are actually a third party.

15 MR. SEDGWICK: Well that's why I
16 prefaced it by saying that you don't really have
17 anything to do with this but you cover it in this
18 book that you gave us.

19 MR. COX: Right. But as consumers
20 ourselves we do believe that the most meaningful
21 method of disclosure is the dollar value. We had
22 for years complete annual disclosure in the mortgage
23 field. Everybody knows whether or not it is 5-3/4
24 or 6% first mortgage. By telling the average citizen
25 whether or not he owes a dollar amount, by saying
26 on a 20 year amortized mortgage the house is going to
27 cost him \$24,000 and it ends up costing him 37 or
28 38 thousand. We feel that to the normal citizen and
29 to ourselves that the dollar figure is more realistic.
30 And we don't know of any of our members who has any



1 reluctance whatever as far as disclosure is concerned.

2 MR. SEDGWICK: They will disclose
3 the fact that if the article is worth 100 and you
4 pay cash you pay 100, and if you pay for it over a
5 year at \$9.00 a month you probably pay another \$10.00
6 or whatever the figure is. They don't express it
7 in percentage figures?

8 MR. COX: No.

9 MR. SEDGWICK: Whether it is feasible
10 or not I suppose we shall have to ask the people
11 who rent the credit, not you.

12 MR. BEAMAN: We understand that
13 there are further briefs being presented from people
14 who are directly in the field.

15 MR. SEDGWICK: Yes, I hope so.

16 MR. BEAMAN: There are mechanical
17 difficulties particularly in the phase of open end
18 and all purpose accounts. Many of our department
19 stores have this form of credit. The basis of full
20 disclosure on a percentage rate annually, I believe it
21 is on new purchases, whereas in an all purpose type
22 of account, which many of us might operate with a
23 major department store, the actual service charge
24 is based on a dollar balance monthly of the account,
25 where it is an individual transaction. And there
26 are varying rates of interest depending upon the
27 amount owing in the average account.

28 MR. SEDGWICK: Yes, the higher the
29 balance the less the rate, isn't that it?

30 MR. BEAMAN: It could actually be that



1 each time my wife went from one merchandising counter
2 to another our rate would change each time she made
3 a purchase. The whole concept of the open end account
4 is based purely on balance. And this would give some
5 difficulty in the original --

6 MR. SEDGWICK: Yes, I know. Those
7 are all my questions, Mr. Chairman. Except that I'm
8 grateful to you for the definitions that appear
9 at the end of the little book.

10 MR. COX: I hope you realize that this
11 book is published by one of the groups that we spoke
12 about. We thought that it would be of interest to
13 you.

14 MR. BEAMAN: Part of our function is
15 to distribute this literature when encouraged to by
16 high schools or any groups before whom we may appear.

17 THE CHAIRMAN: Mr. Irwin, do you
18 have any questions?

19 MR. IRWIN: Yes, Mr. Chairman. I
20 would like to ask for some comment on the whole
21 concept of compiling information about the users of
22 credit and making this available to the merchants.
23 I would like to ask whether in this modern day this
24 information coming back to the merchant, does it
25 actually cause him in a large percentage of cases
26 where the information is adverse, does it, do you
27 think this discourages the merchant from granting
28 the credit?

29 MR. COX: We shouldn't say that it
30 discourages him from granting credit. It enables him



1 to grant credit to those people who have the ability
2 to pay. We do a great deal of business for major
3 oil companies and believe it or not one of the major
4 oil companies last year had a turn down rate of 38%.

5 MR. IRWIN: Is that in the distribution
6 of fuel oil, for example?

7 MR. COX: No, the credit cards mostly
8 are gasoline purchases.

9 MR. IRWIN: Oh, I see. As high as
10 that? 38%. In other words one third of the applicants
11 would be turned down, is that correct?

12 MR. COX: Not necessarily, sir. You
13 will recall that in this brief we said that poor
14 payers apply for credit three times as often as the
15 good payer. Now this throws the balance out. We have
16 said many times that if 100 average people walked
17 into a merchant's store he could safely sell about
18 80 of them. However most of the next 10, or the last
19 10, no. But it doesn't happen that way because the
20 people at the lower end apply for credit three times
21 as often as those at the other end.

22 Now, when you say does he use this
23 information to turn down credit, if he's smart, yes.
24 If he's not smart or he's greedy, that's another story.
25 He probably doesn't bother to get a credit report
26 anyway. The most legitimate credit user makes some
27 type of credit investigation and the simplest way,
28 of course, is to call the local credit bureau where
29 everything is on file.

30 MR. IRWIN: The reason I asked this is



1 partly from my observation in practice of clients.
2 Insofar as the right of repossession rests with the
3 retailer in those cases (rest of statement inaudible)

4 MR. BEAMAN: My observation after
5 35 years in the industry is that most legitimate
6 merchants do not wish to repossess merchandise.
7 They take a substantial loss in most cases when they
8 do and this is why they try to make sure that the
9 people they sell to will pay.

10 MR. IRWIN: Don't think that I am
11 criticizing your efforts. I think they are wonderful.
12 I hope that they continue. I was just making a long
13 statistical comment that my observation is that even
14 in the face of an adverse credit report the merchant
15 very often makes the deal anyway.

16 MR. COX: When a merchant has some
17 security for a conditional sales report, he has
18 something that another merchant with no security
19 hasn't got and his policy can be a little wider. We
20 feel that we have attempted to bring out in the
21 brief that as long as we have greedy people there
22 will always be somebody, some car dealer, who will
23 accept these sort of people. We try and prevent
24 this as much as possible with the promotion of our
25 accepted service.

26 MR. IRWIN: The second question
27 that I had in mind I think you already answered. The
28 statistics on satisfactory credit risks are probably
29 distorted to the extent that you are dealing with the
30 same person three times. Is that correct?



1 MR. BEAMAN: Well, our statistics are
2 not distorted because we actually had competent
3 advice on how to get these figures and they are based
4 on 20,000 random files, not only done once but rechecked
5 in some cases as many as five times. To make sure
6 that we knew what we were talking about. I think I
7 can answer the question referring us back a little
8 bit. The average losses taken by a merchant seldom
9 exceeds 1/2 of 1% of his volume. So that you can
10 see that they are eliminating to a large degree that
11 last 10%. Now, my associate, Mr. Cox, who is the
12 General Manager of the Credit Bureau of Toronto, is
13 a comparative newcomer to this credit bureau
14 industry, but he was in the retail field previously
15 as a credit manager of a very large organization
16 and he has had a great deal more experience at the
17 consumer level and I would like to ask Mr. Cox what
18 the normal losses are.

19 MR. COX: Well, Mr. Beaman, you
20 are quite correct. Normally in the field from which
21 I came 1/2 of 1% is considered average. Occasionally
22 when you are opening branches, new operations, you
23 might in the first twelve months loosen up your policy
24 a little bit so it might (last of sentence inaudible).
25 The credit manager that consistently goes beyond this
26 type of figure doesn't have his job very long. By
27 the same token he won't have his job very long if it
28 is only .1 or .2. You gain a certain amount of volume
29 through an apparently safe margin of risk. Any of
30 our large collection departments in our member establish-



1 ments tell us that over half the people involved in
2 their collection effort are not collectors at all,
3 they are educators. They are simply phoning people
4 and telling them, "You agree to retain this account
5 with a running balance of \$400.00 and it's now \$430.00
6 and we just call your attention to this". This is
7 part of their very real cost of credit and in making
8 the statement that a good credit manager should have
9 a normal 1/2 of 1%, I am getting into this area. You
10 develop this sort of business, but you develop it
11 safely. You expect to have minor collection problems
12 with a certain percentage of your customers.

13 Sometimes when we are talking to
14 merchants, people not as well versed as this group
15 by any means, they will say, "If we are only dealing
16 with 9% or 10% of poor risks across the country, why
17 don't we just forget all about investigation and
18 add 10% to our mark-up. But of course, just as Mr.
19 Beaman has explained, it is a matter of distribution.
20 If you have that sort of credit policy 30% of your
21 customers coming into your operation could be in that
22 10% group. I think you explained that. They seem
23 to know too. If this sort of policy is ever entered
24 into by a new merchandising unit, they are hit and they
25 are hit very badly.

26 MR. BEAMAN: It's the strangest thing
27 in this business, you will get a new merchant who
28 doesn't believe in credit investigations and pretty
29 soon he's got every deadbeat in town on his books.

30 MR. SEDGWICK: Then his ratio would be



1 50 or 60%.

2 MR. COX: Well, they end up, you
3 know where.

4 MR. IRWIN: In connection with this
5 line of questioning -- where you are dealing with
6 the very unsatisfactory credit user, is he likely to
7 be the person that finally escapes your net of
8 information altogether. He ends up with the loan
9 shark, mortgages his furniture and his house and
10 all the rest of it. If so, is there any further
11 extension of your services that might enable you to
12 obtain a file of information on this person and
13 perhaps save him from getting into more debt.

14 MR. COX: Part of my function as
15 General Manager of this Credit Bureau in Toronto is
16 purely educational at the member level. We are
17 constantly urging them, with fairly good success, to
18 automatically report delinquencies to us. That's
19 the first phase. The second phase is to encourage
20 more use of the bureau in our present methods.
21 Thirdly is to encourage more members. We are offsetting
22 this by attempting to lower the level of non-coverage,
23 as you mentioned, and there are some extremely
24 competent credit granters who simply do not use a
25 credit bureau. They have other methods of investigation.
26 The weakness there -- every merchant or lender
27 normally secures a full application and one of the
28 questions on that application is: "Have you accounts
29 at the present time or have you had at any time?"
30 If he only has access to the references given on the



1 application, he doesn't get all the picture because
2 naturally the consumer who has had difficulty with
3 merchant X is not going to put merchant X on the
4 application. We believe that our function, our
5 usefulness, lies in that fact that we also have the
6 experience on our file of information that that
7 particular consumer doesn't put on the application.
8 So we are constantly endeavouring to encourage the
9 spread of our services.

10 MR. IRWIN: Do the mortgage brokers,
11 for instance, belong to the credit bureau?

12 MR. COX: Quite heavily, sir,
13 particularly the first mortgage group.

14 MR. IRWIN: What about the second
15 mortgage field?

16 MR. COX: Yes, but not to a great
17 extent.

18 MR. MACDONALD: I wonder if I have
19 the correct interpretation of your statement. Let's
20 take the supposition of a person in the third
21 category who applies to a large legitimate firm and
22 was turned down.

23 MR. BEAMAN: You are inquiring as
24 to how would he get the credit and how would he have
25 to pay for it. In other words if the first-rate
26 merchant turned him down he would go to a second-rate
27 merchant, who might take the risk with additional
28 charges. If he turns him down then he goes to the
29 loan shark, in effect, and if he takes him he is going
30 to pay plenty to get that credit. This is only human



1 nature. If you have \$100.00 to invest you are
2 going to try and put it in a blue-chip stock. And
3 if someone comes along whom you know has terribly
4 bad credit and you are forced to loan the money,
5 in a sense, you are going to ask a lot more than the
6 5% you get, or 3% you get, on a blue-chip stock.
7 And that's just the way these things happen. This
8 second mortgage business was a result of this type
9 of thing.

10 MR. IRWIN: In other words, the
11 better your network is the more likely it is to drive
12 away the really bad risks altogether?

13 MR. COX: That is correct, sir.

14 MR. BEAMAN: No person in business
15 wants to be hung up with a lot of bad debts and
16 it's been my experience that most firms are astute
17 enough that they want to make profits from their
18 operation and therefore they eliminate, as far as
19 possible, the undesirable risks. Those that don't
20 are the greedy people and they get caught.

21 MR. IRWIN: Or are eventually forced
22 out to the fringe so they can get credit.

23 MR. BEAMAN: I would just like to
24 add, Mr. Irwin, that the major finance companies, the
25 legitimate people, nationally advertised finance
26 companies, use us extensively.

27 MR. IRWIN: Believe me I am all in
28 favour of the credit bureaus, they do a wonderful
29 service. Pursuing this line of questioning, to see
30 if there is any way of still helping the people who are



1 forced out to the fringes, by the very fact that you
2 exist, as a matter of fact.

3 MR. COX: The credit bureau is pro-
4 viding service or debt counselling. This is an
5 everyday occurrence in our business. We provide
6 this for nothing. We sit down with people and try
7 to explain to them how far they can go and what they
8 should do to get out of trouble when they are in it.
9 And this is why we feel very strongly that something
10 should be done at the educational level about the use
11 of credit because the average young couple who today
12 are probably 22 when they get married know nothing
13 about credit and strangely enough we make the
14 statement, and I think we can prove it, that it's
15 like father like son. If a boy comes from a family
16 who have always paid their bills there is never any
17 trouble with him. But if he comes from a family
18 where there has been a poor record, he has that same
19 attitude towards it. And the real fun begins when a
20 fellow comes from a poor credit reputation family
21 and marries a girl that comes from a good one.

22 THE CHAIRMAN: Thank you, Mr. Irwin --

23 MR. IRWIN: I have one more, Mr.
24 Chairman. On page 6, in regard to the findings of
25 the Porter Commission which was confirmed, or vice
26 versa, by your own, at the bottom of the page it
27 says, "In both it showed that 50% of households have
28 no installment or mortgage debt at the time the
29 survey was taken". Now I am speaking from the vaguest
30 of memories but it seems to me a year ago that some



1 very substantially higher figures were given with
2 respect to mortgages alone.

3 MR. MACDONALD: 90% on houses.

4 MR. IRWIN: Something like this.

5 Insofar as you include mortgage debt and other people
6 have indicated something along the lines that you
7 suggest, Mr. MacDonald, it is hard to understand
8 who are these 50%. I suppose 50% of people living
9 in apartments maybe, I don't know. Anyway, do
10 you have any comment on that? We have been led to
11 believe that roughly 90% of home owners, at any
12 rate, are --

13 MR. BEAMAN: I'm sorry, I don't mean
14 to interrupt. Our term of reference should be
15 explained here. By installment or mortgage debt we
16 are not taking into consideration any type of charge
17 accounts which can be all-purpose accounts or split
18 payments can be taken at the option of the purchaser.
19 This was based on, as far as we are concerned, I don't
20 know what basis the Porter Commission investigation
21 used -- but we based on these 20,000 datas that were
22 selected at random. The number of people represented
23 in those 20,000 datas has either a house mortgage, a
24 fixed contract payment schedule, such as the purchase
25 of a car or purchase of a refrigerator, and we were
26 surprised ourselves at the results. I know personally
27 when I read the Porter Commission statement I couldn't
28 believe it was 50%. But we do have to recognize the
29 fact that in large metropolitan areas -- and a big part
30 of this survey came out of the metropolitan area --



1 a surprisingly high percentage of the population are
2 renting, such as apartment areas. That's the only
3 explanation I can give you, which perhaps isn't
4 a particularly valid one. I can't back that up.

5 THE CHAIRMAN: Well, thank you very
6 much anyway.

7 MR. BEAMAN: I might make an
8 observation here, sir, that you may not have taken
9 into consideration. The greatest bulk of credit
10 buying is done in the age group of 20 to 40, the
11 biggest bulk of it is probably in the 20 year group
12 and it gradually declines as people acquire
13 household assets and their homes. Canada's population
14 is getting older, and I venture to say that anyone
15 in this room that has attained the age of 45 has
16 very little consumer debt. Now he may have a charge
17 account or a credit card or he may have a charge
18 account at one of the department stores. But we
19 are talking now of the mortgage field and the
20 installment credit field. And I personally was in
21 charge of these investigations and I personally did
22 the one in Brantford and I am quite satisfied in my
23 own mind that this is correct, only 50% of households
24 have any installment or consumer debt, and I think
25 this is right. Don't forget a large percentage of
26 our people are in that higher bracket. They have long
27 since got all the things they require.

28 MR. IRWIN: I certainly find that very
29 interesting because the impression that has been
30 conveyed to the Committee so far is that everybody is



1 loaded up across the country.

2 MR. COX: You see, Mr. Irwin, when
3 we look at these very high figures of consumer debt,
4 as it is called, we must bear in mind that a fairly
5 high percentage of this figure represents convenience
6 credit, which is the kind of credit you gentlemen use.
7 The acceptance of credit as a convenience has
8 been tremendous, particularly during the last few
9 years. As you know it is just a matter of convenience
10 to have a Diner's card, and an American Express card,
11 you don't have to carry additional cash, possibly
12 one or two gasoline credit cards. I think most of
13 our wives find it more convenient to use a charge
14 account at the department store. But this is a
15 matter of convenience. Most of us, I think, as
16 soon as the bill comes, unless you are out of town,
17 pay it as soon as you can. But the turnover is
18 very fast on this type of account, but it represents
19 a lot of dollars. And this is one of the reasons why
20 in the specific field the department store is in,
21 in spite of the fact that service charges are
22 applied, when graded in 30 day terms are taken the
23 cost of setting up an active 30 day account which
24 turns over constantly is almost as much as setting
25 up a 12 month amortized conditional contract. And
26 yet there is no service charge levied on that 30 day
27 account. From my personal experience it is a very
28 high percentage of the accounts receivable in the
29 normal department store activity.

30 MR. IRWIN: You probably are right, it



1 just seems unusual

2 THE CHAIRMAN: Mr. Whicher, do you
3 have any questions?

4 MR. WHICHER: I'm very impressed
5 with the brief. What do you charge for your services?

6 MR. BEAMAN: Well, it depends on
7 the community. The smaller communities have lesser
8 charges. I would say about .75¢ to \$1.00.

9 MR. WHICHER: This is your verbal
10 service?

11 MR. BEAMAN: For verbal service, yes.

12 MR. WHICHER: Is there any duplication
13 between your service and the chartered banks?

14 MR. BEAMAN: You mean you could get
15 one from your chartered bank? Yes. That's because
16 of your position, not because of the fact that
17 they are in the business. We do a great deal of
18 business with the chartered banks. In fact almost
19 100% in Toronto of installment loans are cleared
20 through us by all major chartered banks. But it is
21 true that we will not, even in your position, give
22 you a personal report on anybody. If you go to your
23 bank manager, we are aware of this because of your
24 position in the community, the bank manager will.

25 MR. LAWRENCE: You must remember this
26 -- when you say you get a bank report, you are getting
27 the opinion of one source of information, aren't you?
28 And in many cases the bank will call up and get the
29 credit report from you people.

30 MR. BEAMAN: This has happened on many



1 occasions.

2 MR. LAWRENCE: Yes.

3 MR. BEAMAN: Our function is to keep
4 records. If any of you gentlemen are interested I
5 have a complete record of our system based on all
6 the credit reports and how they are filed and so on.
7 Unfortunately it is a big job to try and get your
8 all copies of it, but we put the records on file
9 so that when a merchant calls we have a dossier
10 like this that we pull out and in that dossier
11 is contained the newspaper clippings, the pay records
12 and on the back all the experience that our members
13 have had, and on the front the changes of address,
14 so that we can give this report very quickly and
15 let the bank or whoever it might be make an intelligent
16 report.

17 MR. LAWRENCE: I am very interested
18 in the survey. First of all you say it was recently
19 done and I see the date is July, I think, of this
20 year. Was the survey done over the last two years
21 or within the last two years or something like that,
22 or what?

23 MR. BEAMAN: The survey was done --

24 MR. LAWRENCE: I mean the 80-10-10
25 survey.

26 MR. BEAMAN: This survey was only
27 completed within the last month.

28 MR. LAWRENCE: Within the last month,
29 I see. I was just wondering, unless somebody applies
30 for credit you would have no record of him, would you?



1 MR. BEAMAN: No, not necessarily.

2 We do a great deal of personnel reporting and
3 a person may not be a seeker of consumer credit
4 but we have a record on him. But it is true, to a
5 degree that the person who does not apply or has
6 not applied recently, or has a new position and does
7 not apply for credit, it is possible that we have
8 no record on him. If, on the other hand, there
9 are any court items of any kind we get these
10 automatically. But our survey basically is an
11 analysis of the consumer who is using credit.

12 MR. LAWRENCE: I was just wondering
13 here -- the Credit Bureau of Greater Toronto -- are
14 you at liberty or have you any idea how many files
15 you have in Metro Toronto?

16 MR. COX: We are interested in
17 mechanization -- as a matter of fact -- I am answering
18 your question. The picture on the front of the
19 brief is not of Toronto but it is the Hamilton Credit
20 Bureau that has recently purchased the Remington
21 card type of mechanized file. We deliberately took
22 a picture of that so it would give you some idea that
23 we are mechanized. But we are in the throes of an
24 IBM study at the moment because, obviously, sooner
25 or later we will have to use it, and from this study --
26 we don't normally have an actual count of our files --
27 but we 942,000 records at the end of last year.

28 MR. LAWRENCE: How many?

29 MR. COX: 942,000.

30 MR. LAWRENCE: 942,000 in Greater



1 Toronto. Well now, that would just about equal
2 the number of heads of households in Greater Toronto,
3 wouldn't it? Or would it?

4 MR. COX: Yes. It would be a little
5 bit more because in spite of our act of purging, and
6 we have established five people who do nothing but
7 purge the files constantly, we still have some
8 individuals still to be purged. We feel that are
9 real active files are about 650 or 700,000.

10 MR. LAWRENCE: That would then be
11 about the number, presumably -- I guess it would be
12 more than the number, would it, of income or salaried
13 individuals in Greater Toronto.

14 MR. COX: Yes, it would be reason
15 of this overlap. It's very hard to completely keep
16 clean.

17 MR. LAWRENCE: As far as Greater
18 Toronto is concerned your records should be pretty
19 darn complete then.

20 MR. COX: Well, I think you must
21 realize two things. We keep people filed for six
22 years after they move away. And even deaths will
23 be kept in the file for a certain length of time
24 because estate problems might come up and things like
25 that. So you always have more files than you have
26 people. But you mentioned that, supposing you asked
27 for credit and you never had credit. Let's take
28 a supposition --

29 MR. LAWRENCE: That was very hypo-
30 thetical as far as I'm concerned. I'm sure I'm on



1 your books.

2 MR. COX: Let's take a hypothetical
3 case. Let's go back to Brantford where I come from.
4 The Bureau has been in existence there since 1929.
5 Since 1934 every writ, every judgment, every chattel
6 mortgage and every newspaper has been clipped to put
7 in those files as well as our members information.
8 If you, Mr. Lawrence, suddenly applied for credit
9 and there was no file and you had lived in Brantford
10 for any length of time, let's say 10 years, what
11 more do you need? You have never been in any
12 trouble, have you? You have paid your way. That
13 means you have a steady job, you have lived in the
14 same place for some time and you are a home owner.
15 There is no problem. If you are bad, we know it.
16 We know the good ones that use their credit, we
17 don't know them if they don't use their credit.

18 MR. LAWRENCE: I was just ascertain
19 the premium which is placed on your services, that's
20 all.

21 MR. COX: 90,000 dossiers in
22 Brantford.

23 MR. LAWRENCE: We have had
24 conflicting testimony before this Committee in regard
25 to these things. Now, a couple of other things. Is
26 there an obligation on the members of your credit
27 bureaus to furnish their information to you?

28 MR. COX: That's part of our contract,
29 on an automatic basis.

30 MR. LAWRENCE: Right. And the final



1 thing is -- I notice you have a code of eithics for
2 member bureaus. I was wondering if there is any
3 standards you require of the members of the bureaus?
4 In other words, do you require that this information
5 or a member of a bureau be a legitimate business?
6 Because quite obviously your information can be used
7 in the community for quite improper purposes.

8 MR. COX: In Toronto, sir, we turn
9 down about one membership a week, for various reasons.
10 We won't permit any investigating service of any
11 kind on any member. Anyone engaged in any type
12 of investigation is barred. We are very, very
13 careful about people who suddenly have just gone
14 into business. We want to know a little bit about
15 their business because we have a plaque, a membership
16 plaque, and we rather pride ourselves on the fact
17 that this is shown in major companies in their
18 credit departments and we don't want the plaque to
19 be shown in some sort of operation where you don't
20 put all of the picture down. We are selective.

21 MR. BEAMAN: Well, Mr. Lawrence, I
22 guess you realize that since we are able to meet up
23 with various types of people and we turn down people
24 that want to join the credit bureau simply because
25 we don't think that they are conducting their business
26 in the best interest of the people in the community.
27 We thoroughly check everyone before we take them in
28 keeping in mind that we have a trust, I think, to
29 our members because the information in our files
30 really and truly belongs to them. They put it in there



1 and it is for their benefit and should, to a degree,
2 be controlled by them.

3 MR. LAWRENCE: Well, the situation
4 that I was envisaging was the -- well, let's get
5 down to specifics. The Province in the last couple
6 of years has had to run out of Toronto a couple
7 of mortgage brokers, for instance. I'm sure you
8 are aware of it. Now these people obviously were
9 on the make for the down and outers. If they were
10 members of your bureau and could get this information
11 regarding these people they could use this to get
12 some of these exorbitant interest rates. Do
13 you believe these people, that's the question?

14 MR. BEAMAN: This type of person
15 doesn't buy credit reports. They are racketeers.
16 They are not interested, they couldn't care less.

17 MR. LAWRENCE: No, they are not
18 interested in finding out whether people are good,
19 they are interested in finding out whether people
20 are bad.

21 MR. REILLY: Do you ever cancel
22 a membership?

23 MR. COX: Yes, we do cancel.

24 MR. REILLY: On what grounds? Lack
25 of cooperation?

26 MR. BEAMAN: We believe that the
27 only way a credit bureau can function is through the
28 central pooling of information.

29 MR. LAWRENCE: I'm still dealing with
30 a very nebulous -- I haven't had a straight answer



1 from you. What standards do you require of your
2 members? You do cancel, you have refused memberships,
3 what is the standard? Do you leave it up to the
4 manager involved or what?

5 MR. COX: It's the manager's decision,
6 very much. It's up to the manager. It's my
7 responsibility to tell my Board of Directors that
8 we will not accept any member into our operation
9 who is not conducting a legitimate business. (rest
10 inaudible)

11 THE CHAIRMAN: Mr. MacDonald, do you
12 have any questions?

13 MR. MACDONALD: Yes, there are two
14 areas, Mr. Chairman. I wonder if these gentlemen
15 could throw any light from their experience on
16 some of the problems that we really haven't gotten
17 into yet in too much detail, and that is the
18 finance companies that deal in paper -- the practice
19 of door to door selling, immediate discount so the
20 consumer can't get back to the company from whom
21 he has made the purchase because immediately it
22 has gone to the finance company. Does this come
23 within your purview at all?

24 MR. COX: Well, of course, here again
25 we are floating on top of the system, but one of the
26 prime things we like to get through to the kids just
27 before they are leaving school is the third party.
28 We use a very simple example in explaining what
29 happens when you buy a car and the contract is sold
30 immediately to a sales finance company who becomes a



1 third party. It's probably not a very good example.
2 We simply say, "If you are going out with Suzy Q on
3 a certain Friday night and you haven't any money and
4 you borrow from your buddy \$10.00 and it turns out
5 to be a wash-out of an evening. You don't turn
6 around on Monday and say, 'I want to pay you the
7 \$10.00'". The same thing applies as far as the
8 third party is concerned. We are concerned about this.
9 We are concerned about it only from consumer
10 education. The consumer must know that there is as
11 much responsibility on him to determine whether or
12 not the article he is going to buy is worth the
13 price, whether he is paying cash or credit, buying
14 on credit, there is no difference with this sales
15 finance operation because the sales finance company
16 has no interest in the fact that the automobile is
17 satisfactory or not satisfactory.

18 MR. MACDONAL: There are some companies
19 that deal pretty regularly in this. Apparently they
20 make a business -- and it must be a profitable
21 business -- in other words, they must get fairly
22 significant discounts. Your answer doesn't cover the
23 high pressure door to door salesman. For example,
24 what is your reaction to the proposal that is being
25 implemented in Britain and being considered here
26 of a cooling down period?

27 MR. COX: Well, as far as its appli-
28 cation to door to door selling; first of all I'm
29 right on your side. This debt counselling we do,
30 I would say as much as 7 out of 10 cases are in



1 desperate, desperate circumstances. The final push
2 over the brink has been an article sold at the door.
3 Fortunately -- I won't mention any specifics, but
4 there are three major areas -- the turnover rate on
5 these salesmen is fantastic -- they make all sorts
6 of claims and statements and the poor householder
7 signs the contract under extreme pressure selling.
8 He or she realizes 24 hours later that perhaps they
9 can't afford this article or they don't want it.
10 The salesman probably has already left and has
11 another job, this sort of thing. Whether the cooling
12 down period -- it certainly sounds very drastic -- I
13 don't know how it's working in Britain, but some
14 version of it, some education, certainly would
15 protect these people. If they had 24 hours at
16 least to reconsider and with a good, valid reason,
17 within that 24 hours, if they were allowed to cancel
18 the contract. I do not think for one moment that
19 this should apply against the legitimate 95% of
20 enterprises that are dealing over the counter. It
21 is normal with good competition to sell, to create
22 the motivation and a cooling down period with all
23 types of contracts would seem completely unfair to
24 me. But on this door to door, there is an area
25 there that is a canker on the side of our particular
26 operation.

27 MR. MACDONALD: To what extent does
28 your study of credit extend to include teenagers?

29 MR. COX: Well, if a teenager has
30 applied for credit where there is no guarantee from



1 the parents -- there are some such accounts -- I
2 think department stores have teenagers accounts. I
3 myself operated a type of teen age account here in
4 Toronto. We didn't have a solitary loss. All we
5 did, we gave them a special shopping card which
6 indicated to the sales clerk that she had to
7 secure an authorization from the credit department
8 on every purchase. We gave them a limit normally
9 of \$35.00 to open their credit record. But we did
10 phone the parents. We didn't ask them for a
11 guarantee, we simply phoned them and said, "Your
12 daughter is in here applying for an account. Are
13 you in agreement with her having this account?" We
14 had some educational material to give her and if
15 we secured the parents' blessings -- if we didn't
16 secure the parents' blessing, we didn't open the
17 account -- but if we did secure the parents'
18 blessing we open the account but we watched it
19 very, very carefully and it is astonishing the
20 success we had with teen age accounts. In a seminar
21 that I took part in recently, several department
22 stores mentioned that they had no losses on this
23 type of account. This is the type of merchant,
24 mind you, that sincerely is trying to educate the
25 young consumer.

26 MR. MACDONALD: I take it you view
27 rather favourably teenage credit?

28 MR. COX: Only on these terms of
29 reference, that it be controlled, that there be a
30 complete interview in which the value of a credit



1 rating is explained and that the parents be brought
2 in as far as their blessing is concerned.

3 MR. MACDONALD: I wonder if Mr.
4 Beaman concurs. I'm curious.

5 MR. COX: He might not.

6 MR. BEAMAN: My experience with the
7 success of credit with teenagers has been excellent
8 and many firms in Brantford extend it quite freely
9 to young people who are working part-time or people
10 who are starting in their life after leaving school.
11 I like to think that the merchants in Brantford
12 are well educated by the credit bureau and they call
13 and get a credit report on these youngsters. And if
14 it's a first purchase they check on their parents
15 and see whether their parents' record is all right.
16 I don't see why we should, simply because a person
17 is only 20 and not 21 why we should restrict him
18 from buying the necessities.

19 MR. WHICHER: What about 16?

20 MR. BEAMAN: I have a daughter who
21 is 16 who works part time and who charges stuff and
22 pays for it and I would rather prefer to have her
23 self reliant and pay her bills.

24 MR. WHICHER: Did she get your permis-
25 sion first before starting her charging?

26 MR. BEAMAN: Well, unfortunately
27 everybody in Brantford knows me. I don't think
28 this is necessary, gentlemen. When they finish
29 high school at 19 years of age, the mere fact that
30 they aren't 21 doesn't make them pay their bills any



1 less than the fact that they are 21.

2 MR. WHICHER: So reliability has no
3 relation to age?

4 MR. BEAMAN: That's right.

5 MR. WHICHER: You can sue them when
6 they are 21.

7 MR. BEAMAN: We would sue them when
8 they are 19, sir.

9 MR. WHICHER: What is a girl buys
10 a watch for her boyfriend?

11 MR. BEAMAN: Of course, that is up
12 to the jeweler to watch what he's doing.

13 MR. WHICHER: They do sell these
14 watches, and never call the parents, never.

15 MR. BEAMAN: Well, bigger fool are
16 they if they take the losses, that's all I can say.

17 MR. WHICHER: But they don't take
18 the loss because they phone the parents finally and
19 if the parents have not paid that's a black mark
20 against that child.

21 MR. MACDONALD: How long do you keep
22 your records?

23 MR. BEAMAN: As long as they are
24 right. That's all. It's a pretty tough question to
25 answer when you pose it as a girl buying a watch for
26 her boyfriend, or a boy buying a ring for his
27 girlfriend.

28 I'd like to go back to Mr. MacDonald's
29 question for just a moment. I think you inferred
30 what did the credit bureau do to protect the consumer



1 against these third parties where they sell paper
2 to a finance company. This goes right back to the
3 point that we are trying to make in this brief that
4 education at the school level is so important. We,
5 gentlemen, see hundreds and hundreds and hundreds of
6 these people and if someone had only told them at
7 school -- it would only take a few periods in the
8 curriculum to explain the use of credit and how it
9 can benefit them and not make slaves of them --
10 things would be so much different.

11 In Brantford we don't have a Better
12 Business Bureau, but we have a good active Board
13 of Trade of which I am a Past President, and we
14 work very closely with them and we try to -- I'm
15 sorry, I brought quite a number of pieces of
16 advertising here, but I didn't bring any in which
17 we stress the importance of knowing the people you
18 are buying from. You all know, you have been
19 sitting around this table long enough to know there
20 are rats involved in some of these things. Let me
21 put it this way. There are good, legitimate firms
22 that put aluminum siding on houses. There are others
23 that are no good. We try to stress to people to
24 use their credit intelligently. Here's an ad that
25 appeared in the Hamilton Spectator. It says: "Sound
26 credit buying makes sales production -- budget
27 properly and pay bills promptly." This goes on
28 endlessly as far as credit bureaus go. The proper
29 use of credit, the proper use of credit enables you
30 to enjoy the good things of life without waiting for



1 cash. Buy wisely, pay promptly. This is stressed
2 all the time, and we all do this advertising. For
3 instance, in Brantford we run a little ad like this
4 that says: "A member of the credit bureau", and it
5 shows the plaque. We proudly state on there that
6 this membership plaque is your guarantee of
7 responsible and ethical credit. It is displayed
8 by more than 500 firms in this area. So the credit
9 bureaus are trying to do their part. We have
10 speakers panels. We go out and talk to church
11 groups, service clubs, to various other groups.
12 Some groups sometimes have only 10 or 15 people. We are
13 trying to do this job of education, which I really
14 feel --

15 MR. MACDONALD: Have you gone into
16 schools?

17 MR. BEAMAN: Some of our bureau
18 people have gone into schools to talk to the
19 graduating classes in the high schools. But I think
20 that a lot more of this should be done, a lot more.
21 The youngsters we have today, when they get through
22 high school they are pretty smart people and they
23 will listen with wisdom to what you say. But if
24 no one says it to them how do they know?

25 MR. BUKATOR: May I -- it might have
26 been asked before I came in -- you say in paragraph
27 23 here, "it seems to us no more than logical to
28 instruct our young people in the use of credit with
29 moderation". I like the last part of your comment.
30 You think they should be educated. Would a good rule



1 be to reveal the true interest rate on any purchases
2 that they make?

3 MR. BEAMAN: Before you came in, sir,
4 we had explained that we are not in the credit
5 granting field and we rather feel that dollars are
6 more significant than interest.

7 MR. BUKATOR: Do you believe than
8 indicating the interest rate as well would help
9 these people that you are trying to educate now by
10 way of very quickly -- a man would say, "I can get
11 it here for 10, why should I pay 20?"

12 MR. BEAMAN: Well, they now can say,
13 "I can get it here for \$10.00, why should I pay
14 \$12.00?"

15 MR. BUKATOR: Why would you object?

16 MR. BEAMAN: I have no personal
17 objection, sir, I know nothing about it.

18 MR. BUKATOR: Isn't that remarkable
19 that you are in the business and you are educating
20 people and you know nothing about educating them that
21 interest rates might be -- have you an opinion?

22 MR. BEAMAN: We did cover this
23 completely, sir, when you were out of the room.

24 MR. COX: Well, we have an opinion,
25 more or less as consumers, and for the fact that
26 we have a lot to do with credit granters. We do
27 recognize the fact that there are certain mechanical
28 difficulties on certain types of accounts --

29 MR. BUKATOR: We realize that.

30 MR. COX: You realize that and you have



1 heard it before and we are not here to start it
2 all over again. But we still think that the dollar
3 figure has more meaning. Now you mention the fact
4 -- you phrased you question along the line of
5 consumer education -- we had the great good fortune
6 to put on a pilot project. The principal gave us
7 400 students who were going right out into the
8 world after their fourth year. They weren't going
9 on to University. That's the particular area we
10 try and get into. We found that the questions were
11 just amazing. We ran out of time, we could have
12 been there another hour and a half. But the
13 questions were not to do with interest rates, they
14 were dollar questions. These people were talking
15 about budgets. All right, my take home pay is so
16 much, and we explain the fact that before you know
17 how much you can permit yourself on credit, you
18 must know your net income. You must do a little
19 simple arithmetic. You must take your fixed expenses
20 away from your net take home pay. It is astonishing
21 how few people do this, unfortunately, this simple
22 arithmetic. Then once you have decided that you
23 have \$40.00 clear a month to commit, after taking
24 into consideration cushions and emergencies and all
25 that sort of thing, then you can go out with reason,
26 if you expect greater employment, and commit yourself
27 to, say, \$30.00 a month. But all of the questions
28 came back to dollars, not percentages, from these
29 kids. They have a tough enough time with the
30 arithmetic of dollars much less percentages.



1 MR. MACDONALD: May I get back to
2 this gentleman here, because of his daughter. I
3 have daughters too, so we are in the same boat there.
4 And my daughters use credit too, but it's remarkable
5 that I do sit down with them and find out what they
6 are going to buy and what it is going to cost them
7 and try to figure, if no one will tell us, what
8 the interest rate will be, because if we can get it
9 cheaper at the bank, well --

10 Do you not do that with your daughter?

11 MR. BEAMAN: No, my daughter has
12 grown up in a credit atmosphere.

13 MR. MACDONALD: And she would calculate
14 interest along with dollars too, I imagine.

15 MR. BEAMAN: What usually happens with
16 my daughter -- of course, mind you, it is usually
17 a 30 day credit account that she buys on and she
18 pays it off from her earnings because she is
19 working part-time. We think that this teaches her
20 how to manage her money and we think this is
21 important.

22 MR. MACDONALD: Well, Mr. Chairman,
23 if you go back to Mr. Cox's reply to Mr. Bukator,
24 isn't this ignoring -- from what you said, a person
25 says, "I've got \$40.00 net in my account, therefore
26 I can consider this"-- this is fine. But the other
27 factor -- and here you may have a great area for
28 education -- is, if he was able to judge what he
29 was paying in terms of a real interest rate, he
30 may then discover that when he is paying 35 of that



1 \$40.00, the net income that he might have available,
2 he may be able to get the same thing for 25 or 20.
3 Because all you have got to do is vary one of the
4 infinite number of variables in the terms of the
5 contract so that you can't compare them unless
6 you get it down to a common standard, and this is
7 what we are working with. I just submit that maybe
8 here is an area for education. You are obviously
9 a crusader for education on one level. Here's an
10 area where somebody has got to do some crusading.
11 I don't minimize the difficulties at this stage
12 because you are right, all they are interested in
13 is dollars. But if they had a true interest rate
14 besides that dollar and they did a bit of shopping,
15 they might discover that they could get the same
16 product for 50% to 75% less.

17 MR. COX: Your point is very well
18 taken, sir. The problem is so basic it does down
19 below that. They don't even read the contract. And
20 of course contracts have a lot of little words. We
21 try and tell them to always take a blank contract
22 home no matter how many times the salesman tells
23 you that car is going to be sold if you don't take
24 it right now.

25 MR. MACDONALD: This may well be the
26 reason why you must have a true interest rate because
27 sometimes Mr. Sedgwick could take a contract home
28 and he would have to read it a half a dozen times
29 before he was exactly certain what was in the contract.

30 MR. SEDGWICK: And then not be sure.



1 MR. MACDONALD: Now the average joker
2 is simply not going to be able to absorb the
3 contract even if he were conscientious, or he
4 might think that he has absorbed it and still be
5 tricked by it. But here is a final safeguard.
6 If he has indicated what the true interest rate
7 is then he is in a position to shop. And if he
8 can buy the product for 50% then he's got that net
9 income available to go and buy something more, if
10 you want to look at it in that vein.

11 MR. SEDGWICK: The difficulty about
12 the contract form we covered Friday -- the interest
13 rate must be a type of a certain size, not fine
14 type, and probably of a contrasting colour. Suppose
15 it was just a little stamp saying the actual
16 or effective interest rate on this contract is 17.2%
17 and that would be in a specified size of type and
18 in a different colour. He wouldn't need to read
19 all the fine print because he would get the essential
20 piece of information, as Mr. MacDonald mentioned.

21 MR. COX: Quite true, the point is
22 well taken. We just simply try and make the point
23 that all these questions that come to us from
24 consumers are always involved around dollars.

25 MR. SEDGWICK: I'm not saying it should
26 be done, but I am saying it could be done.

27 THE CHAIRMAN: Do you have any other
28 questions, Mr. MacDonald?

29 MR. MACDONALD: No thanks.

30 THE CHAIRMAN: Mr. Oliver?



1 MR. OLIVER: Well, I was quite
2 interested and I think all the members are, on
3 the need that our friends this morning have pointed
4 out for education with respect to the proper
5 use of credit. I think we could well spend some
6 time on that. I think perhaps in the final analysis
7 we might make some recommendation emanating from
8 the Committee in respect thereto. Because one can
9 see in a moment that the credit buying has gone up
10 by leaps and bounds in the last decade and the
11 education of the public as to the merits or the evils
12 of that same credit buying hasn't kept pace with
13 the growth of credit buying itself. I was wondering
14 what you gentlemen felt -- if we agreed that further
15 education is most essential and vital, is it
16 absolutely necessary that this education come through
17 our educational system proper or is there an
18 alternative. I can understand the educational
19 authorities being somewhat reluctant to add further
20 and further to the curriculum in our high schools.
21 Now are you so determined in your own mind that your
22 course is right, that further education can best come
23 and maybe can only come in its real form through the
24 curriculum in our high schools, or is there an
25 alternative that could be set up and used for this
26 very worthwhile and necessary service?

27 MR. COX: Well there is an alternative,
28 sir. Quite a number of our members have literature
29 of an educational nature that is distributed at
30 every opportunity. Normally you don't have the



1 opportunity to distribute this literature unless
2 you are invited to speak before a group of people
3 or perhaps a consumer comes in to a certain merchant
4 and obtains one of these little booklets. But we
5 do feel the problem is so intense that we have to
6 go at it at 100% proposition and the only 100%
7 proposition is to go into the schools with a captive
8 audience and talk to them. Also we do believe that
9 the average student respects what that teacher
10 is telling him, while perhaps the merchant, although
11 well meaning, is suspect. On that level we feel
12 it should be introduced even in very capsule-like
13 form.

14 MR. OLIVER: More important still, I
15 suppose, pursuing that angle, is that you get children
16 at the time before he goes into the field where
17 he uses these services.

18 MR. COX: So often we get them at
19 25 or 26 years of age when he's in serious trouble
20 and his rating is black and just because he didn't
21 recognize one or two normal safeguards that he
22 could have taken.

23 MR. BEAMAN: I might say that it was
24 only quite recently that the head of the commercial
25 section of one of our high schools asked permission
26 to come down on Saturday and spend a half a day with
27 us to see what the credit bureau did so he could
28 explain to his students something about this process.
29 It's been my experience that most people are
30 tremendously interested in doing something about credit,



1 knowing how to use it, how to benefit by it. This
2 is why we are so adamant in our viewpoint. We think
3 that at some place or other there should be
4 education of people in the proper use of it. Because
5 when credit is used properly it certainly enriches
6 one's life. But when it's used the other way, oh,
7 it's a tragic thing.

8 MR. OLIVER: I presume your organi-
9 zation has approached the Department of Education?

10 MR. COX: We have in Toronto here,
11 sir, yes. We have offered our services from our
12 members or from our own executive to help them in
13 any way we can, preparation of material, provide
14 them with anything.

15 MR. MACDONALD: I think you are in a
16 better position to do the job than the retailer.
17 At least you are free of the very legitimate sus-
18 picion that anybody else who would come into the
19 schools, for example, a lecturer teaching a class
20 on credit would be suspect of promoting a product
21 or a firm.

22 MR. BUKATOR: (Not audible)

23 MR. BEAMAN: I'm sorry, we didn't get
24 that far. This was a real problem to do this much.
25 Personally, as Chairman of the Committee that's done
26 this investigation, I would rather suspect that our
27 figure of 28.7 is a little low. I feel that because
28 some of the figures I got were considerably higher
29 than that. But the trouble is we wanted to be sure
30 of our position, but in dealing with people in our



1 everyday operations our impression is that many of
2 the people that get into trouble -- not all of them
3 but many of them -- are perhaps some of the people
4 that left school rather early.

5 MR. MACDONALD: Generally speaking too,
6 aren't there a great number of people who run into
7 serious credit problems who are of a high educational
8 level and even a high income bracket?

9 MR. BEAMAN: Not as many as you would
10 think. If they are intelligent enough to be
11 successful in business they are usually intelligent
12 enough to realize what they are getting into.
13 It's true there are some people with high incomes
14 that are getting in trouble, but for the most part
15 they manage their affairs.

16 MR. EDWARDS: Mr. Chairman, most of
17 our commercial classes in secondary schools have
18 this information given to them, don't they?

19 THE CHAIRMAN: I think they get some.

20 MR. COX: We would submit, sir, that
21 the material perhaps should be updated and amplified.
22 We read the material that is given to commercial
23 courses and it is pretty brief and inadequate as
24 far as protecting these kids.

25 THE CHAIRMAN: Mr. Kerr, do you have
26 any questions?

27 MR. KERR: I was wondering, Mr.
28 Chairman, what is your opinion as to the main cause
29 of people becoming bad credit risks. That is,
30 outside of general overspending and bad budgeting, is



1 there a specific type of spending or borrowing
2 that causes people to become rated unsatisfactory?
3 For example, is there a common pattern. I noticed
4 on one of these cards here, for example, one that
5 shows a lot of red ink, that the person had done
6 installment buying, conditional sales contracts
7 and chattel mortgages and then there are numerous
8 judgments and writs and Division Court claims. Can
9 you establish some sort of a pattern, is this a
10 man who is desperate and then he becomes more
11 desperate? Where does he go from here? Is it because
12 he didn't have a job and was borrowing hoping to
13 get a job and pay it back?

14 MR. COX: Well of course there are
15 circumstances and we try to take them into
16 consideration. A person can't help it if he
17 loses his job or has very heavy medical expenses
18 and hasn't sufficient insurance. A person can go
19 through a cycle of very poor pay. The average
20 credit granter, knowing the circumstances, the
21 average credit granter has to go along with that
22 person. We attempt to interpret that kind of
23 information in the file. But to answer your
24 question specifically, there is a pattern. We
25 have to, perhaps go back to the interviews with
26 some of these very seriously delinquent debts.
27 The pattern so often appears to reach a peak on door
28 to door selling and the area of credit granting is
29 very, very small where people -- we have to say this
30 -- don't use our services, ignore the obvious on these



1 files. Or in some cases do use our service and
2 still want the order so badly that they don't
3 take the red light into consideration. But it is
4 not the normal legitimate operator who gets into
5 that last 25% and pushes the person into the dark
6 corner, or what have you. It's so often the door
7 to door selling. It is almost a fact. We hate
8 to come out with that statement, but it is proven.

9 MR. KERR: That's what finally gets
10 them into trouble?

11 MR. COX: So often. In our area, and
12 I'm sure in the areas in which you gentlemen live,
13 we don't have very many door to door salesmen. They
14 are concentrating on the poorest areas of town.
15 The resistance is low, the statements aren't
16 challenged. I believe that I can go to a legitimate
17 merchant and buy a refrigerator cheaper than from
18 a door to door salesman anytime. I wouldn't say
19 to my wife, "Sign the contract" from a door to
20 door salesman, no matter how much we wanted something.
21 And there are some people who are legitimate in this
22 area that are selling door to door. As the Chairman
23 mentioned, aluminum siding, there are many legitimate
24 people in this field. Unfortunately there are
25 some who are not, and unfortunately the area of
26 misrepresentation appears here.

27 MR. KERR: You aren't, in this regard,
28 for example the Better Business Bureau, who takes
29 the initiative, from your own files, to clean this --
30 a certain amount of people are getting in trouble for



1 certain reasons. Do you then take the initiative and,
2 say, go to the Chamber of Commerce or the Better
3 Business Bureau or --

4 MR. COX: We are working quite closely
5 with the Better Business Bureau. As a matter of
6 fact, I hope Mr. Dollard doesn't mind my mentioning
7 this, but we are working with them on a series of
8 educational cards in the subway trains. How to
9 use credit wisely, and they were very kind to come
10 to us for assistance. But if we see a pattern --
11 mind you we have to be very, very careful -- if
12 we see a pattern we think should be reported to the
13 Better Business Bureau, we do it.

14 MR. KERR: Do you have many situations
15 where a consumer walks into your office ready to
16 hit you over the head with a club because he has
17 been denied credit as a result of a credit report
18 from you which he says isn't true. You are not
19 going to accept a voluntary statement from him
20 and change your report. What happens then?

21 MR. COX: Well, we do have this
22 happen occasionally. They aren't coming into our
23 office a great deal, they don't usually threaten
24 us too much. We are very happy to discuss it
25 with them personally but we will never discuss it
26 over the telephone. They have to identify themselves.
27 Once they have identified themselves we will bring
28 out the file, the records, and usually he will admit
29 what we have on the docket. In some cases, if it's
30 an item of public record, we show it to him. Here,



1 it's a Court action. (Next sentence inaudible)
2 The rest of the items are very clear on the record.
3 We go back to the merchant -- we feel it's our
4 responsibility to establish this dispute -- we
5 don't take the action away from the record, we
6 don't remove it, but when we report that action
7 to a future member we also report the circumstances
8 which we have endeavoured to prove. But oddly
9 enough, most people -- some come in a quite pugnacious
10 frome of mind, but a little psychology and they
11 know you are trying to help them. We are dealing
12 with a lot of people, all sorts of clerical help,
13 you know, and all sorts of member establishments
14 are constantly sending us information. Clerical
15 errors can occur, but they don't occur very often
16 fortunately, but we are very, very anxious to set
17 the record right.

18 MR. KERR: When they find out that
19 you have all their skeletons in your closet, do they --

20 MR. COX: They usually say they
21 have forgotten all about that, or something like
22 that. Or how does that count against me, I paid
23 it. But the important thing to a credit granter
24 many times is that there may be five judgments,
25 every one of them paid, but he's not interested in
26 whether they are paid or not, he just doesn't want
27 to go that route on his own account. This is
28 often the question -- "I paid those things" -- why
29 is it against my record. Well, it's his decision
30 as a credit granter, if he decides that other merchants



1 have had to go to this extent, why then he doesn't
2 want any part of it. But we will interview anybody
3 who comes in legitimately to see us.

4 MR. MACDONALD: Does that happen
5 frequently or just occasionally?

6 MR. COX: We get about six a day.

7 THE CHAIRMAN: Mr. Hamilton?

8 MR. HAMILTON: (Inaudible)

9 MR. COX: Do I understand your
10 question, sir, that some merchants make a receipt
11 for full payment but are not credited to the account?
12 This happens very infrequently.

13 MR. HAMILTON: (Inaudible)

14 MR. COX: Very much so. It's usually
15 a bookkeeping error or a slowness in reporting
16 by the collection agency to the merchant.

17 THE CHAIRMAN: Mr. Edwards, do you
18 have any questions? Do you have any questions, Mr.
19 Letherby?

20 MR. LETHERBY: No, I'm sorry, Mr.
21 Chairman, I must say I missed considerable this
22 morning, but I take it from what has been said
23 that much of this was brought before the Committee
24 last year, which was most valuable and most helpful.
25 One place that I put my finger on the pulse was
26 your recommendation, sir, that there should be added
27 education by way of our educational system, part
28 of our regular curriculum. These young people
29 should be taught the value and wisdom of credit. I
30 have long held the view that there is a lot of damn



1 nonsense taught in our high schools today that
2 could be easily eliminated. Now nobody cares
3 whether Ceasar has his hair parted in the middle or
4 on the side, whether Columbus sailed against an
5 East wind or a North wind. But I do think, and I
6 think George Bukator agrees with me on this, that
7 owing to the fall-outs in our high schools today,
8 that this should not be added to our curriculum
9 by way of the graduating year of the students but
10 in the tenth grade. These young people, girls
11 and boys, for one reason or another, if they once
12 leave school, say at the tenth grade, they get
13 married and take up housekeeping. Now if they
14 don't have this taught to them in school and not
15 by a Better Business Bureau or the Chamber of
16 Commerce, in school as a regular part of the
17 curriculum, I would think that our system of
18 education could be overhauled so that this much
19 needed subject could be taught and a lot of need
20 and a lot of misery would be overcome on the part
21 of our young people.

22 MR. COX: The social service people,
23 I believe, have appeared before you Committee. They
24 have their problems, very serious problems. Mind
25 you, they only see a minority of the overextended
26 population. But I think they would agree with us
27 that so often they are trying to fasten the door
28 after the horse has escaped.

29 MR. LETHERBY: In my opinion that is
30 one strong recommendation this Committee should make



1 that this be included as a part of our regular
2 curriculum.

3 MR. KERR: It is a great deal the
4 responsibility of the parent, wouldn't you say?
5 I mean, the average parent, I take it, would teach
6 the child the value of a dollar and I know many
7 situations where you have parents co-signing notes
8 and conditional sales contracts and the children
9 see how easy it is to buy a hot rod or something
10 and there is no intention of ever coming through on
11 it or paying the contract and eventually the child
12 defaults thereby encouraging the spending of high
13 interest rates and things like that. I think it
14 begins at home and I think it should be taught
15 in the schools.

16 MR. COX: Unfortunately some of the
17 parents should be educated too.

18 THE CHAIRMAN: Mr. Rowe, do you
19 have any questions?

20 MR. ROWE: I noticed you devoted about
21 half a line in your brief to another of your
22 functions, and that is as a collection agency. Is
23 this a very large part of the work of the company?
24 Also if they do argue when you come to collect,
25 say your charge, whatever it is, the arrangement, is with
26 the member, I presume, not the consumer?

27 MR. COX: That's right.

28 MR. ROWE: So there is no further
29 cost to the consumer other than --

30 MR. BEAMAN: Well, your Attorney



1 General says give you twelve months and see what
2 happens.

3 Credit bureaus act as a collection
4 agency. As a matter of fact of the licensed
5 collection agencies in the Province of Ontario
6 we represent about, roughly, 25% or slightly over.
7 We collect about 33-1/3% of the money. We like to
8 think that the credit bureau is a community
9 institution and that within these walls that the
10 facilities for granting credit should be available
11 and the facilities for collecting it. And of course
12 we think that the reason why people will pay their
13 bills after they become delinquent is that they
14 want to reestablish their credit, so that we have
15 a medium, in the credit bureau, for collecting
16 money that perhaps is not available to others.

17 Now we didn't think that we were
18 invited to come and tell you about the collecting
19 business, but we wanted to be truthful and say
20 that we are in the service. If there are any
21 questions, Mr. Rowe, that you have, we will be
22 happy to answer them.

23 MR. ROWE: I was wondering why the
24 minor reference --

25 MR. COX: Well, because our invitation,
26 we understood, was to hit on the aspects of credit.

27 THE CHAIRMAN: Mr. Reilly, do you
28 have any questions?

29 MR. REILLY: Well, Mr. Chairman, first
30 of all I would like to say to Mr. Cox and Mr. Beaman



1 they have done a pretty good job of covering the
2 credit bureaus of Ontario.

3 As far as the consumer credit field
4 is concerned you are not directly connected with it
5 whatsoever, or indirectly? Would you care to
6 volunteer some information to the Committee from
7 the standpoint of what you charge your members
8 of your Association and how many members there are
9 in your Association, and how many members operate
10 outside your Association?

11 MR. COX: Well, our prices in the
12 metropolitan area are in this little book -- have
13 you got a copy of this thing? We charge a
14 \$12.00 membership each year which gives our
15 members access to any type of service on a meter
16 basis. Which means, if you buy five reports a
17 day (rest inaudible).

18 Our commonest type of service there
19 is a fee involved -- our price is \$1.00 which
20 could be slightly higher in smaller places.

21 MR. REILLY: Could I pick up a
22 telephone and phone you, Mr. Cox, and get a report?

23 MR. COX: If you are not a member,
24 no, you can't. We have a coding system. Each
25 member is given a code and we find this happens to
26 some of our so-called (rest of sentence inaudible)
27 But this coding system protects us. We change
28 codes quite frequently.

29 MR. REILLY: I noticed your code
30 on the remarks and revisions -- a double A, and a



1 VCC. Would you care to reveal this?

2 MR. COX: Well, an AA is "As Agreed" --
3 most bureaus use this type of coding -- but for our
4 own use we pass it on to our members usually a little
5 fuller code. "VCC" is very slow.

6 MR. REILLY: Earlier this morning, Mr.
7 Cox, you referred to about three areas, I think you
8 said, that were troublesome when Mr. MacDonald asked
9 you about the door to door. Would you care to tell
10 us what three areas you meant?

11 MR. COX: If you don't mind, Mr. Reilly,
12 I think I'll hold off on that question.

13 MR. REILLY: Can we get it privately?

14 THE CHAIRMAN: Would you care to make
15 that information available to the Committee's Secretary,
16 confidentially.

17 MR. REILLY: It will help us to know
18 what areas we should add -- we know, as far as you
19 are concerned, you are operating a service.

20 MR. COX: With your permission,
21 gentlemen, after the session is over I would like
22 to consult with my co-Chairman on that.

23 MR. REILLY: Would you like to tell
24 the Committee anything further about this particular
25 debt-counselling service you supply? Is this provided
26 only for members?

27 MR. COX: Oh, this is provided for
28 any consumer who walks in. We endeavour to have them
29 phone and make an appointment but we only use senior
30 people with any bureau on this type of work. But anyone



1 who wishes to come in and see us, who has a problem,
2 once they have identified themselves we take out the
3 records -- we will not indicate to them the name of
4 the merchant who has given us any derogatory items,
5 we will simply give them the category, finance
6 department and what not.

7 MR. REILLY: Are you telling the
8 Committee what actually happens is that someone who
9 wants to know more about his debts or financing or
10 problems he may have that he can go down to your
11 credit bureau and someone will sit down and talk it
12 over?

13 MR. COX: This is true, and they are
14 usually referred to us,--I should make this point
15 clear, by our members. We give our members permission.
16 Normally the turned down rate is not that high, but
17 in a volume operation still a lot of people are
18 turned down weekly. Letters don't say very much when
19 they are sent out, but they are usually sufficient
20 for our requirements. But the odd debtor is really
21 curious and he goes down to the credit department
22 to find out just why and then they have our permission
23 to refer that person to us. People are referred to
24 us in that category by our members. Then we work --
25 purely unofficially -- not so much with social
26 service agencies because they have their own
27 psychologists and that sort of thing, but by church
28 groups, sometimes even doctors, someone who is really
29 at the end of the rope and wants some advice. These
30 sort of people are referred to us. We don't do any



1 prorating. We don't in most cases contact a creditor.
2 We simply try and advise them as to how to straighten
3 out their affairs.

4 MR. BEAMAN: I think, Mr. Reilly, that
5 there is probably more debt counselling done by
6 other bureaus rather than by Toronto. The credit
7 bureau in Toronto has no collection department and
8 naturally doesn't come in contact with people the
9 same way the collection end of the business does.
10 We will sit down with people and go over their debts
11 and try to solve their problems. We will even go so
12 far as to prorate their debts. I wouldn't want you
13 to get any impression, sir, that we are talking about
14 a lot of people. We are satisfied that the figures
15 we have given you today are legitimate. We are in
16 the process at the moment of getting figures from
17 every credit bureau in Canada and it's really amazing
18 to me the fact that most people do pay their bills
19 quite satisfactorily and are able to budget their
20 own affairs quite capably. But unfortunately such
21 a terrible tragedy occurs when you run into someone
22 that does get over their heads, especially when they
23 get in over their heads on things that they had no
24 right getting into. And we are talking now about
25 certain unmentionable types of things that get
26 involved, the racketeer operator on automobiles --
27 you are all aware of these things -- and these are
28 tragedies. They end up getting nothing for their
29 money. But the people we deal with, for the most part
30 and I think for the most part, are legitimate credit



1 operators, merchandisers, they expect to grant credit,
2 they expect to get some of the cost of granting the
3 credit out of granting credit, obviously. If you
4 credit 12 payments over a period of a year it will
5 cost you more than crediting one payment. And I
6 think that -- well, as we have said in our brief,
7 we agree with the Royal Commission on Banking and
8 Finance, that most people in Canada manage their
9 finances with greater wisdom than appears to be
10 popularly believed. And you get a very distorted
11 picture when certain people give their experience
12 because their experiences are all with people who
13 are in trouble and they have a tendency to put
14 everybody in this category.

15 MR. REILLY: How many credit associations
16 or credit bureaus operate outside your particular
17 association?

18 MR. BEAMAN: Well, there are some
19 specialized credit bureaus such as the Ladies Wear
20 Credit Bureau that is operated for the benefit of
21 the ladies wear manufacturers, but I know of no
22 credit bureau in Ontario that is not a member of our
23 association. If they are a legitimate firm we want
24 them in our association.

25 MR. REILLY: Do they have to pay a
26 fee for this?

27 MR. BEAMAN: You pay a quarterly
28 assessment, naturally, to have the facilities that
29 we have.

30 MR. REILLY: Mr. Beaman, in your recent



1 survey of some 20,000 files, you pointed out that there
2 were less than 10% that you consider poor risks. I
3 believe it was 9.52. Do you have any comparison with
4 what it was previously, a year ago, two years ago,
5 five years ago? Whether this 10% or less than 10% is
6 increasing or decreasing?

7 MR. BEAMAN: Well, Mr. Reilly, I'm
8 afraid that I can truthfully tell you that we have
9 never conducted a survey on the scale and the scope
10 of this one. I was brought up in the industry, as
11 you probably are well aware, with the understanding
12 that at least 75 to 80% of the people pay their
13 bills and that it was roughly about 15% were slow
14 and 5% were poor. This is the result of research,
15 in some cases some of the American facilities, and
16 I was rather surprised when we started to develop
17 these figures and in some cases I had them rechecked
18 four and five times, different groupings, just to
19 make sure of our figures, and I have Affidavits,
20 incidentally, now. When this brief was written we
21 didn't have all of the figures in and that's why we
22 took 12 communities. But I now have Affidavits on
23 file from every credit bureau in Ontario and the
24 figures are quite valid to this.

25 MR. REILLY: I appreciate the forthright
26 statement, Mr. Chairman.

27 MR. COX: May I add just one thing to
28 this, Mr. Reilly. We have similar figures but there
29 is another meter stick relative to this poor risk
30 group and that's the bad debt write-off. The bad debt



1 write-off in the industry generally has fluctuated up
2 and down from .401% up to .47 and back down again.
3 As a matter of fact in two major segments it was
4 actually down in 1963 over 1962.

5 MR. REILLY: Then the bad debt write-off
6 would be less than 1%?

7 MR. COX: Oh yes, usually around half
8 of 1%. And to people in the industry this is a real
9 indices.

10 MR. BEAMAN: The peculiar thing, and
11 I would like to leave this thought with you, never
12 underestimate the public, gentlemen. From my
13 observation over many years some very strange things
14 take place. When you are in a buoyant economy, when
15 the economy is rising, people go out and buy and the
16 minute the black clouds start to appear they draw
17 right back in again. You can tell this in our business
18 by the number of enquiries.

19 MR. REILLY: (Inaudible)

20 MR. BEAMAN: Yes, but the bulk of
21 the credit is not 36 months, Mr. Reilly. I don't
22 think so. But there seems to be a barometer there,
23 these people are very sensitive to it, and when the
24 economy is buoyant they go out and buy. They have
25 faith in the security of their jobs and they seem
26 to have an almost weird feeling about this. It
27 amazes me.

28 MR. REILLY: Mr. Chairman, one further
29 question. Apart from the licences your bureaus may
30 hold as a collection agency, is there any government



1 regulation or restriction on your operation or on
2 those files?

3 MR. BEAMAN: Not that we are aware
4 of, sir. Governments use our services. We have
5 just signed the Ontario Liquor Control Board as a
6 member.

7 MR. LAWRENCE: What for, personnel?

8 MR. BEAMAN: Personnel.

9 MR. LAWRENCE: Do we get a credit
10 report on the members?

11 MR. BEAMAN: On the local ones we
12 probably have a credit file, yes.

13 MR. LAWRENCE: Do you find that the
14 problem of credit in regard to small town and
15 villages -- I mean for example, the place I come
16 from everybody (rest of sentence inaudible)

17 MR. COX: Well, I think you must
18 realize that in the smaller communities credit is
19 on a more casual basis than it is in the bigger
20 communities and there are many types of credit
21 that are extended on a seasonal basis. In other
22 words, "Well, Harry, I need a lawnmower but I can't
23 pay until the wheat is sold". In other words he
24 wants three months before he pays. Someone told me
25 not to mention this, I rather expected that somebody
26 would ask, what the worst center in Ontario was.

27 MR. LAWRENCE: What is it?

28 MR. COX: Brantford. (Laughter)

29 MR. LAWRENCE: I'll tell you this little
30 story about (rest of story inaudible)



1 MR. COX: Which is it, Cliff, now
2 that you mention it?

3 MR. BEAMAN: Well, I did it deliberately
4 of course. It would appear that from the research
5 made by our Association that the residents of a city
6 on the east end of our Province have a tendency to
7 be somewhat slower in the payment of their accounts
8 than the rest of the Province, and that's the capitol
9 in Ottawa. Now, we think that this is because of
10 the fact that many people are employed there in
11 positions that are not garnishable and that they,
12 therefore, are talking some extra rights in paying
13 their bills. There is not a great deal of difference
14 but it is quite apparent.

15 MR. REILLY: Would the payment salary
16 have something to do with it?

17 MR. BEAMAN: That could be.

18 MR. REILLY: You can't garnishee them?

19 MR. SEDGWICK: No, you can't
20 garnishee the Crown. You can, there is a method
21 of attaching it, but they don't like it. I don't
22 know about the federal, but there is a statute, or
23 there was years ago -- I think I'm right about this --
24 whereby you could service notice.

25 MR. BEAMAN: You can serve notice on
26 the Civil Service.

27 MR. SEDGWICK: That's right. Then
28 they can appeal or not just as they feel inclined.

29 MR. BEAMAN: Mind you, I don't want
30 to give the impression that Ottawa is that bad.



1 The better cities are all about on the same level.

2 MR. REILLY: Does the medical
3 profession use your services extensively?

4 MR. COX: Yes, sir.

5 THE CHAIRMAN: Any other questions?

6 MR. REILLY: (Question inaudible)

7 MR. COX: They don't turn anybody
8 down, but if they know someone, that a long treatment
9 is necessary -- I'm not thinking of emergency
10 operations, but if a long treatment is necessary,
11 it gives them the warning to sit down and discuss
12 it with the person, some method of payment before
13 they actually go hog wild.

14 Now the dental profession, there are
15 sometimes different ways in which expensive oral
16 surgery can be completed, plates and that sort of
17 thing.

18 MR. SEDGWICK: My late dentist -- he's
19 dead now -- used to tell a story about a Chicago
20 lawyer whom you know very well, he's still alive,
21 who owed my dentist about \$200.00 for some years
22 and then the lawyer broke his dental plate, or
23 whatever it was and came in to get it fixed and
24 the dentist said, "You will remember, Joe, you owe
25 me that \$200.00 and when you bring it in you can
26 have the plates back."

27 THE CHAIRMAN: Mr. Cox, I was wondering
28 if maybe you could tell the Committee how many copies
29 of this booklet "How to Use Credit Wisely" you
30 distribute in Ontario. Do you have any idea?



1 MR. COX: I'm afraid I don't, Mr.
2 Price. We are bringing them in practically every
3 month for distribution in our office and I know the
4 other fellows are doing the same thing.

5 THE CHAIRMAN: Do you ever advertise
6 that it is available in your newspaper advertisements?

7 MR. COX: We have it in Toronto.

8 MR. BEAMAN: No, we distribute them
9 when we go around and make speeches, and all that
10 sort of thing. The trouble is, you know, these
11 things become expensive, especially when you have
12 to import them. More and more we are trying to
13 get these things printed in Canada. I should draw
14 your attention that many good organizations are
15 passing out literature revolving around credit. In
16 fact they do part of the educational job that we
17 think is necessary.

18 THE CHAIRMAN: I think you would be
19 providing a very useful service even if you
20 advertised this as available for, say, ten or twenty-
21 five cents. Even if you sold it I am sure a lot of
22 people would be interested in it. You would be
23 providing, I'm sure, a very useful service. Another
24 question I would like to ask you. Mr. Cox, would
25 you have any views on what percentage of a person's
26 spendable income can safely be allocated to installment
27 purchases?

28 MR. COX: Well, in the former years
29 we went very much by percentages. If the normal wage
30 earner should, perhaps, only pay out 25% for housing



1 and 10% for a car, etc. The theory today seems very
2 valid to all of us is that percentages aren't so
3 important as the actual discretionary aspect. In
4 other words, if I choose to live in an \$18,000.00
5 house instead of a \$28,000.00 house so I could drive
6 a Buick, if the two percentages in total are the
7 same it's my business that I do that. A lot of
8 people feel this way, that there is a certain choice
9 on their part. But we have to get down to simple
10 arithmetic. A man's net take home pay must be
11 put on the top of a sheet of paper and then he
12 must list all his regular fixed expenses including
13 a cushion for savings and emergencies. And this
14 requires a lot of self-discipline -- you don't think
15 of this, you don't think of that. But then he gets
16 down to a fixed expense figure X which he deducts
17 from the net income. That we term the net discretionary
18 dollar amount. Again we go back from percent, we
19 would rather talk about this dollar amount, which
20 you have free and this is the way we attempt to
21 educate our people.

22 THE CHAIRMAN: Thank you. On page 4,
23 paragraph 10 of your brief you refer to the care
24 which you take in the preparation of your reports.
25 Now we all know that errors sometimes do occur. I
26 heard of one not so long ago, a case of mistaken
27 identity where the name was the same, the initials
28 were the same but the name was perhaps a little
29 different, but this chap was caused considerable
30 inconvenience and embarrassment and at first blush



1 his prospective employer didn't question it. But then
2 when the manager of the company was so certain that
3 they must have made a mistake that he rechecked it
4 and although care had been taken -- it had been
5 checked one or two times before they actually made
6 the report, nevertheless this mistake did occur and
7 this young chap wasn't able to get a job. It wasn't
8 until the manager was a little more persistent and
9 delved into it further that they found that they had
10 the wrong person. Is there any way or any recommendations
11 you might make to someone who thinks perhaps they
12 have the wrong information on them? How could a
13 person go about correcting that?

14 MR. BEAMAN: As far as the consumer
15 level the consumer himself who believes it is the
16 wrong information?

17 THE CHAIRMAN: Well, anyone you would
18 be reporting on?

19 MR. BEAMAN: Well, they are welcome
20 to visit us at any time and we will take out that
21 record and we will question and find out whether
22 we have a wrong item. It can occur. We do everything
23 possible to avoid it. We check City Directories and
24 we have a complete reference library of every type
25 of listing in this area. We do everything we can
26 to avoid it, but occasionally it can happen and then
27 we tried to set the record right as fast as we can.
28 And in that case, if it happened in our office -- maybe
29 it did, I don't know --

30 THE CHAIRMAN: No, I don't think so.



1 MR. BEAMAN: We would go right in to
2 that employer.

3 MR. SEDGWICK: How do we know the
4 origin of the adverse report? We would only know
5 it is the prospective employer told us.

6 MR. COX: This is correct. Of course
7 it is not very often that one solitary item -- let's
8 assume that if a mistake is made it would maybe be
9 off one item, you wouldn't think that the coincidence
10 would be so strong as to give him two or three --

11 THE CHAIRMAN: This was mistaken
12 identity, you see. They had the wrong man altogether.

13 MR. BEAMAN: Well, perhaps Mr. Cox
14 could explain this. You know, we use certain
15 methods of identification. As an illustration, we
16 each have hundreds and hundreds of Joe Smiths, we
17 have a lesser number of Joe L. Smiths and we have
18 lesser amounts of Joe L. Smiths whose wife is Mary.
19 You are getting down pretty fine now. But it is
20 still quite possible to have a Joe L. Smith with
21 a wife Mary. But it's pretty rough to find two
22 Joseph L. Smiths with a wife Mary, who is a painter
23 by profession, and this is the way you eliminate the
24 thing down. But unfortunately the unscrupulous
25 credit buyer -- believe me merchants have troubles
26 too -- instead of Joseph L. he becomes Lawrence A
27 and instead of Mary, Mary becomes her second name
28 which is Alma. And along about Christmas we have to
29 be particularly on the alert to watch the use of
30 names. We had a bad example in Brantford where one



1 fellow got four of five accounts last year by
2 using someone else's name who was A-1 credit. Still
3 he made the mistake of applying for credit to
4 somebody who knew the other man. Then he ended up
5 in jail. But these things are a small minority.

6 THE CHAIRMAN: But here is a poor
7 fellow who was being turned down and turned down
8 and he didn't know why. They finally got to the
9 bottom of it and corrected it, I suppose, but he
10 just didn't realize why he was being turned down.

11 MR. BEAMAN: We do everything that
12 we possibly can to try and make sure that we are
13 talking about the right people. This is why we
14 suggest that a credit application be taken giving
15 the full particulars before they call us.

16 THE CHAIRMAN: Mr. Irwin, I believe,
17 has a question.

18 MR. IRWIN: Just one question, Mr.
19 Chairman, and I won't belabour it, but referring
20 to this booklet, I make this observation that I
21 have failed to find any definition of the term
22 interest or any explanation of it or, in fact, except
23 in one place, any reference to the term interest.
24 I wonder how it is possible to give a prepared
25 educational pamphlet and simply avoid the subject
26 altogether.

27 MR. COX: I think perhaps the only
28 reference in on page 24, isn't it, Mr. Irwin, the
29 expense of credit?

30 MR. SEDGWICK: There are references on



1 pages 23 and 24.

2 MR. COX: And on page 28 and 29, where
3 definitions are listed, there is no listing of interest
4 and no attempt to explain it. We do attempt to
5 say that service charges on consumer credit are
6 not strictly interest or pure rent on the use of
7 money. Most of these charges result as a cost of
8 doing business.

9 MR. IRWIN: You will admit that that
10 is not a very full explanation. You have avoided
11 the question altogether.

12 MR. LAWRENCE: You get a different
13 interpretation of what constitutes interest.

14 MR. SEDGWICK: Well, I'm not sure.

15 THE CHAIRMAN: Gentlemen, are there
16 any more questions?

17 Mr. Beaman and Mr. Cox, on behalf of
18 the Committee I would like to congratulate you on
19 preparing an excellent brief and for the able manner
20 in which you answered all our questions. Thank you.

21 Gentlemen, before we adjourn, if there
22 is any information that any of the members who are
23 attending the meetings for the first time would like
24 to have, by all means write to the Secretary and we
25 will make available previous brief or any other
26 information we might have that you would like. Did
27 you sign the form for Mr. Stone? If not, we would
28 like you to turn those in before you go. We will
29 be advising you of the next meeting which will be
30 starting on August 17th and carrying on until August 19th.

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